

## Industrial Special Indemnity Fund

### *Second Quarter Report*

*June 30, 2007  
Calendar Year 2007  
Fiscal Year 2007*



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***Industrial Special Indemnity Fund (ISIF) – First Quarter Report for Calendar Year 2007  
pursuant to Idaho Code §72-324.***

*Ted Roper, ISIF Manager*

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## BENEFITS

### *Annuitant Periodic Benefits*

Annuitant benefits are paid to individuals who have been awarded or have negotiated a settlement for periodic monthly benefits. Benefits are paid based on a percentage of the applicable state average weekly wage for year of benefit, the year of the injury and the injured worker's average weekly wage.

### STATE AVERAGE WEEKLY WAGE CY 2007

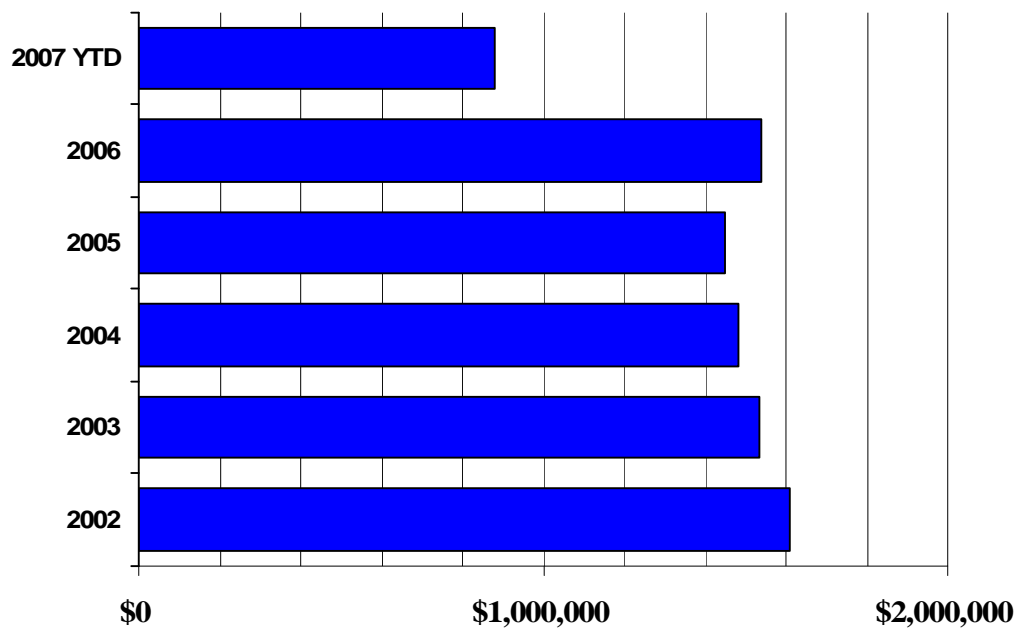
Base of 45% ASW = \$262.80

Base of 60% ASW = \$350.40

Base of 67% ASW = \$391.28

Industrial Special Indemnity Fund ended the 2nd Qtr of CY 07 with 124 annuitants receiving monthly annuity benefits. The CY 2007 monthly average benefit as of 30 June 2007 was \$1,186.48. The average Annuitant benefits paid in CY 06 was \$1,176.60. *Note:* In prior years ISIF had utilized structure annuities as a means to fund future monthly benefits for some annuitants.

### ANNUITY BENEFITS - BY CALENDAR YEAR



Arrearage benefits may be owed upon settlement of a claim and prior to the commencement of current monthly benefits. An arrearage is most likely to occur on judgment loss or consent to entry of judgment claims. Arrearage benefits disbursed in the 2<sup>nd</sup> Qtr of CY 07 was \$58,060.

#### MONTHLY & ARREARAGE BENEFIT

	CY 2007 YTD	CY 2006 YTD	CY 2006
Monthly Annuitant Payments	\$483,542	\$363,675	\$1,536,641
Arrearage Benefit	36,414	581	13,080
Total Benefit	\$519,956	\$364,256	\$1,549,721

#### Settlement Benefits

Lump sum and lump sum/statutory benefits are the two types of settlement options. A lump sum benefit is a one time cash (only) payment issued upon settlement of a claim. Lump sum with statutory benefits is a settlement in which a lump sum payment may be made upon settlement; however, a form of future periodic benefit is also paid.

**NOTE:** Total Lump Sum benefits paid in 2<sup>nd</sup> Qtr of 2007 decreased by 43% compared to the 2<sup>nd</sup> Qtr of 2006.

#### LUMP SUM BENEFIT

	CY 2007 YTD	CY 2006 YTD	CY 2006
Total Claims	12	21	31
Total Lump Sum	\$297,500	\$568,000	\$993,000
Average Claim	\$24,792	\$27,048	\$32,032

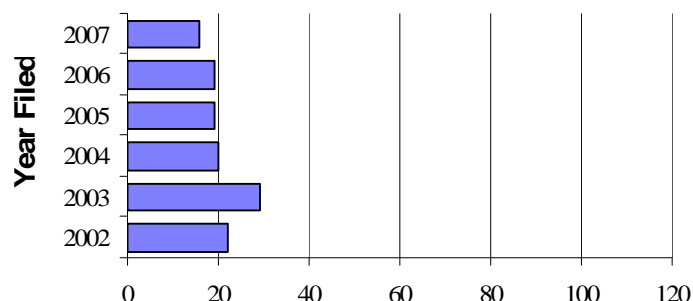
### CLAIMS ADJUDICATION

Claims adjudication is a two-fold process involving both the filing of a Notice of Intent (Informal) or Workers' Compensation Complaint Against ISIF (formal) by claimants and/or employer/sureties alleging ISIF liability, and the final determination of those claims by result outcomes (non-merit, settlement or judgment loss).

#### New Claim Filings

Over the last six years New Claim Filings have continued to stabilize. In general, these claims represent potentially greater liability as workers compensation claims become more complex legally and medically, with economic downturns creating more difficult return to work issues.

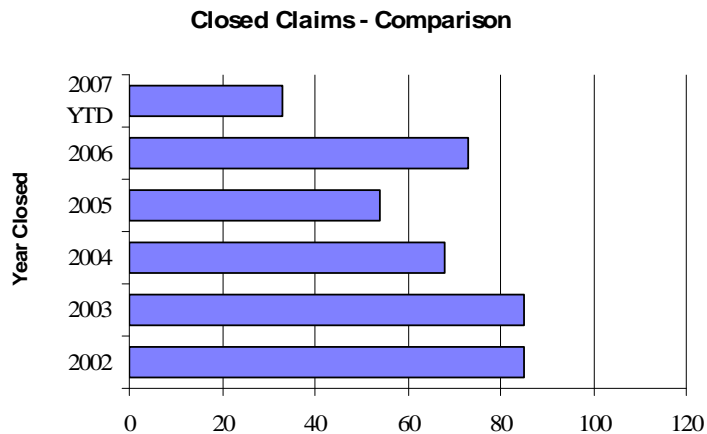
#### New Claims Filed - 2nd Qtr of Year Filed



In Calendar Year 2006, 61 new claims were received and 73 claims were closed resulting in a net of 111 open litigated claims on 1 January 2007. Open litigated claims on June 30, 2007 totaled 100.

### *Closed Claims*

Closed claims include claims that have been denied with no complaint filed or claims that have resulted in a settlement or have been dismissed; with fewer opportunities for lump sum settlements, claim closures are fewer in 2007 YTD.



## **LITIGATION COSTS ASSOCIATED WITH MERIT AND NON-MERIT CLAIMS**

### *Result Outcomes*

CY 2007, 1<sup>st</sup> Qtr result outcomes demonstrated a 43% decrease in the number of lump sum settlement (without benefits).

### **CY Litigation Quarterly Report of 2007 RESULT OUTCOMES**

	CY 2007		CY 2006		
	YTD	% Total	YTD	Total	% Total
<b>Non-merit Claims:</b>					
Dis W/O	5	14%	3	4	9%
Dis W/P	1	3%	1	2	4%
Judg Win	8	22%	4	6	13%
<b>Settled Claims:</b>					
LSS	12	33%	21	31	66%
LSS/Stat Bene	3	8%	0	4	9%
<b>Judgement Loss:</b>					
Judg Loss	5	14%	0	0	0%
Stat No Hearing	2	6%	0	0	0%
<b>TOTALS:</b>	<b>36</b>		<b>29</b>	<b>47</b>	
<b>Appeals:</b>					
Affirmed	0	0%	0	0	0%
Reversed	0	0%	0	0	0%
Dismissed	0	0%	0	0	0%
<b>TOTALS:</b>	<b>0</b>		<b>0</b>	<b>0</b>	

## Result Litigation Costs

### Litigation Costs Comparison by Calendar Year

	LUMP SUM WITH STAT		JUDGMENT LOSS	STAT BENEFITS / NO HEARING	DIS W/O	DIS W/P	JUDGE WIN
2002	66,737	8,115	43,238	0	61,369	13,768	135,022
2003	106,178	984	40,499	0	2,643	259	38,194
2004	161,926	54,065	35,928	0	12,190	23,729	71,204
2005	147,735	31,200	22,440	0	34,894	0	44,500
2006	262,915	22,498	0	0	44,081	9,368	112,451
Five Year - Total	\$745,491	\$116,862	\$142,105	\$0	\$155,177	\$47,124	\$401,371
Five Year- Average Claim Cost by Result	\$4,411	\$6,492	\$14,211		\$6,747	\$5,236	\$17,451
<b>2007 YTD</b>	\$104,188	\$37,674	\$100,624	\$2,221	\$25,144	\$14,762	\$160,812
Average Claim Cost by Result	\$8,682	\$9,419	\$20,125	\$2,221	\$5,029	\$14,762	\$20,101

## Result Outcomes Definitions:

### Non-Merit Claims

- Dismissal without Prejudice – Dismissal by the Industrial Commission but allows the claimant to sue again on the same cause of action.
- Dismissal with Prejudice – Final disposition of a claim by the Industrial Commission barring the right to bring another claim on the same cause.
- Judgment Win – Final decision by the Industrial Commission on a fully litigated claim determining no liability to the ISIF.
- Denied – An in-house denial of ISIF liability.

### Settled Claims

- LSS – Lump Sum settlement agreement.
- LSS/Stat Bens – Lump sum settlement that includes monthly benefits to be paid in the future.

### Judgment Loss

- Judgment Loss – Final decision by the Industrial Commission on a fully litigated claim determining ISIF to have liability.

### Appeal Affirmed

- Appeal from the Industrial Commission decision affirmed by the State Supreme Court

### Appeal Reversed

- Appeal from the Industrial Commission decision reserved by the State Supreme Court

## Litigation Expenditures

Litigation costs are expended to numerous sub-object codes as bills are paid during a claim's adjudicated life. Once the adjudication process is completed, a report is submitted to the Industrial Commission reporting all litigation costs incurred during the life of the claim. With fewer opportunities for lump sum settlements, more claims are being litigated through the hearing process.

## LITIGATION EXPENDITURES

CY 2007

CY 2006

	1st Qtr	2nd Qtr	YTD Total	2nd Qtr	CY Total
Attorney Fees	147,583	171,595	319,178	\$157,983	\$592,978
Costs & Expenses	5,690	7,020	12,710	3,789	21,121
Medical/Vocational Reprt	3,360	5,902	9,262	5,279	14,933
Deposition Costs	6,216	4,919	11,135	5,673	26,038
Investigations	1,161	6,128	7,289	1,500	5,782
Research or Briefs	-	1,725	1,725	-	-
Appeal Attorney Fees	-	-	-	0	-
Appeal Costs & Expenses	-	-	-	0	-
Medical Expenses (IME)	-	-	-	650	1,050
Rehabilitation	10,852	20,272	31,124	13,844	44,152
Adjuster Expenses	235	462	697	0	1,503
Refund	-	-	-	-	-
<b>Total Litigation Expenditures</b>	<b>175,097</b>	<b>218,023</b>	<b>393,120</b>	<b>\$188,718</b>	<b>\$707,557</b>

## ADMINISTRATIVE OPERATIONS

### Revenue

The ISIF was dependent on a levy system for revenue funding prior to July 1, 1997. The levy was a percent of certain paid benefits assessed to insurance companies and self-insured employers on individual claims at the time of claim closure.

### ASSESSMENT FORMULA BASED ON FISCAL YEAR

Fiscal Year	2004	2005	2006	2007
Total Expenditures	\$4,720,163	\$3,292,704	\$3,293,014	\$3,623,135
Cash Available as of 6/30	5,227,340	6,795,081	6,066,396	\$3,046,051
<b>Assessment</b>	<b>\$4,212,987</b>	<b>-\$209,673</b>	<b>\$519,633</b>	<b>\$4,200,219</b>

*Formula: Two times total expenditures less cash available equals assessment.*

Over time the levy was inadequate to provide the sustained revenue needs of the ISIF. Without a change in revenue funding, the ISIF would have been unable to satisfy its obligations in early 1998. The current revenue system creates a method of funding that is certain.

### ASSESSMENT TIME LINE

Assessment Date	Total Assessment	Indemnity Period	Due Date	Payment Amount
June 30, 2006	\$519,633	7-1-06-->12-31-06	Apr-07	\$259,817
		1-1-07--> 6-30-07	Sep-07	\$259,817
June 30, 2007	\$4,200,219	7-1-07-->12-31-07	Apr-08	\$2,100,110
		1-1-08--> 6-30-08	Sep-08	\$2,100,110



## Expenditure

The Industrial Special Indemnity Fund's administrative operating expenditures include salaries for three full time employees and general office expense. Operational cost (less litigation expenditures) increased by approximately 10% from the 1<sup>st</sup> Qtr to the 2<sup>nd</sup> Qtr of CY 2007; though the 2<sup>nd</sup> Qtr expenditures were equivalent to the costs in the 2<sup>nd</sup> Qtr of 06.

Benefit expense reflects all benefits paid in lump sum, arrearage or monthly annuitant payments. Total litigation costs; include all costs associated with claims adjudication such as attorney fees and costs, depositions, vocational rehabilitation and investigation

### REVENUE - EXPENDITURE REPORT

	CY 2007			CY 2006	
Revenue	1st Qtr	2nd Qtr	YTD	2nd Qtr	CY TOTAL
Beginning Cash Available	\$ 4,530,455	<b>\$3,716,362</b>	<b>\$ 4,530,455</b>	6,760,981	<b>\$ 7,654,293</b>
Assess/Interest Actual	72,751	363,869	436,620	140,614	373,136
Misc Rev/Refunds	429	9,972	10,401	927	9,085
Total Cash Available	4,603,635	<b>4,090,203</b>	<b>4,977,475</b>	6,902,522	8,036,514
Expenditure					
Administrative	54,246	67,501	121,747	65,577	254,209
Benefits	647,774	751,201	1,398,975	581,830	2,542,722
Litigation	175,097	218,023	393,120	188,718	707,669
Total Expenditures	877,117	<b>1,036,724</b>	<b>1,913,842</b>	836,124	<b>3,504,600</b>
ISIF Annuitant					(1,402)
PCARD	1,552	(3,122)	(1,570)		(57)
Encumb	8,604	10,549	19,154		
Ending Cash Balance	3,716,362	<b>3,046,051</b>	<b>3,046,051</b>	6,066,396	<b>4,530,455</b>

### REVENUE - EXPENDITURE REPORT

	FY 2007					FY 2006
Revenue	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2007 YTD	FY TOTAL
Beginning Cash Available	\$6,066,396	\$5,279,738	\$4,530,455	\$3,716,363	\$6,066,396	\$6,795,080
Assessment/Levy/Interest	84,975	70,795	73,180	373,841	602,791	\$2,563,651
Total Cash Available	<u>\$6,151,371</u>	<u>\$5,350,533</u>	<u>\$4,603,635</u>	<u>\$4,090,203</u>	<u>\$6,669,186</u>	<u>\$9,358,731</u>
Expenditure						
Administrative	\$70,807	\$48,607	\$54,246	67,501	241,160	\$263,579
Benefits	615,329	384,647	647,774	751,201	2,398,951	\$2,404,850
Litigation	178,360	380,145	175,097	218,023	951,625	\$624,586
Total Expenditures	<u>\$864,497</u>	<u>\$813,399</u>	<u>\$877,117</u>	<u>\$1,036,725</u>	<u>\$3,591,737</u>	<u>\$3,293,014</u>
ISIF Annuitant	1,402	(57)	1,552	(3,122)	(111)	(679)
Encumb	5,734	6,622	8,604	10,550	\$31,510	
Ending Cash Balance	<u>\$5,279,738</u>	<u>\$4,530,455</u>	<u>\$3,716,363</u>	<u><b>\$3,046,051</b></u>	<u><b>\$3,046,051</b></u>	<u>\$6,066,396</u>